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March 11, 2003

TO: Each Supervisor

FROM: Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

A handwritten signature in blue ink, reading "Thomas L. Garthwaite", is written over the printed name and title.

SUBJECT: **RETURN OF GRANT FUNDS DUE TO HIRING DELAYS**

On February 18, 2003, the Board requested a report back regarding the return of grant funds to the State and Federal governments due to hiring delays. This related to a February 16, 2003 article in the *Los Angeles Times*. This is to provide you with information about this issue.

REASONS FOR RETURNED FUNDS

Not all returned funds were due to difficulties in hiring. The charts the Department of Health Services (DHS) provided to the reporter detailed \$10.4 million in funds returned for grants ending in three calendar years. Examples of funds returned for other reasons include:

Funds Reimbursed Based on Program Activity

The Department received allocations of funds from the State for HIV viral load testing and genotyping. These funds are reimbursed per test, based on vouchers from clinics treating eligible patients. In FY 1999-2000 and 2000-2001, \$586,000 and \$925,700 were not drawn down from the State, because the number of eligible tests submitted from clinics was less than the State's allocation.

Funds Provided with Limited Time and Expectations to Spend

In 2001, the State provided \$3.5 million of unused SCHIP funds which had to be spent within six months. DHS accepted the funds with the understanding that we would do our best effort to use the funds for eligible activities in the limited time period. Funds were utilized for contracts with community agencies doing MediCal and Healthy Families outreach and for supplies and related support services. DHS was able to utilize all but \$702,000.

Funds Earned by Time Studies of Eligible Activities

Several programs, including Maternal, Child and Adolescent Health, draw down federal matching funds through the State, based on actual time studies of eligible activities. The amount allocated by the State is based on our up-front estimate of what we can earn.

Underspending by Community Agencies under Contract

Although we monitor spending by community agencies and reallocate funds during the contract year to maximize utilization, there is usually some amount of contract funds which are not earned by the agencies. An example of this is the MediCal Outreach program, where \$231,000 was unused in FY 1999-2000. DHS was able to reduce this substantially in subsequent years.

GRANT HIRING ISSUES

Vacancies in grant and revenue-offset positions may be attributable to many reasons. Key issues include:

Allocations

Data provided to the Times indicated that of 376 position allocations requested in calendar years 2001-2002, 258 (69 percent) were allocated as requested. The remaining 31 percent were downgraded to other items. However, the 258 positions allocated as requested included 93 Medical Services Coordinator and Supervisor positions for Children's Medical Services, 30 Health Facilities Evaluators, and 15 Public Health Nurses and Supervisors for an LTFSS-funded nursing project. These are positions that do not have an allocation issue because the positions are standardized. When these 138 positions are excluded, the percentage of requested positions located as requested drops to 50 percent (120 of 238).

Hiring

Even with allocated positions, there is difficulty finding qualified applicants to appoint. In some cases, County salaries do not match what applicants can receive in the private sector.

The Department has been under some variation of a hiring freeze for many years. This means that CAO approval is needed for many position appointments. Although the CAO has exempted certain positions classifications unique to Public Health from the freeze, management and other administrative positions must be submitted to the CAO for approval. Since the Department is downsizing, the CAO has wanted to be sure that positions filled from the outside could not be filled by transferring existing employees from inside the Department. This adds time to the process, in order for the CAO to review, for the Department to answer questions and for approval or denial.

In this fiscal year, a further impediment is that the Department must cease processing new hiring, promotions and transfers as it approaches a position and service reduction date. As DHS approached the October 1, 2002 closure of eleven health centers, personnel transactions were halted to complete the mitigation transfers. Similarly, as we approach the service reductions in June, the personnel transaction system will be frozen to run the cascade. Unfortunately, it is necessary to freeze it, even for positions which are not being impacted.

STEPS TO IMPROVE THE PROCESS

1. As indicated in the Director of Personnel's March 5, 2003 memo to you, the Department of Human Resources has agreed to temporarily delegate to this Department the allocation of new "critical service delivery positions," subject to periodic DHR audits. An MOU is being developed to implement this delegation.

This delegation will help with certain grant-funded positions, but administrative positions which are common across the organization will still require DHR allocation. This includes a number of those positions for which allocation issues arose.

2. The Department is preparing a proposal to DHR to create a new series of positions for Public Health program specialists and will propose modifications to the requirements for several existing series, in order to better accommodate the Department's needs in recruiting and hiring specialized staff.
3. The Department's grant-funded programs will start working with the Department's Human Resources office earlier in the grant preparation process to obtain allocations for positions before the grant funding is awarded.
4. For quick-turnaround grants, where the Department was required to respond to an unexpected request to submit a proposal quickly, the Department is working with DHR to obtain initial allocation, subject to review later.
5. The Department is reviewing the schedule of examinations for positions to assure that lists exist for appointment to commonly filled critical positions without delay.
6. Once we have completed the reductions this year, the Department will request CAO approval of an exemption to the hiring freeze for a broader group of positions, subject to holding managers accountable for the bottom line fiscal performance.

I will provide you with an update on our progress in 60 days. In the meantime, if you have any questions or need additional information, please let me know.

TLG:js

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Director of Personnel